

**STATE OF MAINE
PUBLIC UTILITIES COMMISSION**

**Docket No. 2000-541
November 2, 2000**

**SACO RIVER TELEGRAPH AND)
TELEPHONE COMPANY)
Re: Request for Approval of Affiliated Interest)
Transaction, Reorganization and Transfer)
of Assets from Saco River Telegraph and)
Telephone with Rural Cellular Corporation)**

REVISED STIPULATION

A. Background.

On June 22, 2000, Saco River Telegraph and Telephone Company ("SRTT") filed a petition seeking approval under 35-A M.R.S.A. § 708 for a reorganization of SRTT in connection with a transfer, by merger, of all of its outstanding stock to an affiliate of Rural Cellular Corporation ("RCC"). On July 14, 2000, SRTT Acquisition Corp. ("SAC") and SRTT, Inc. ("SRTTI"), both affiliates of RCC, filed a Petition to Intervene and Request for Additional Relief. On September 1, 2000, the Office of the Public Advocate filed a Petition to Intervene/Notice of Intervention.

SAC is a wholly-owned corporate subsidiary of TLA Spectrum, LLC ("TLA"), a Minnesota limited liability company wholly-owned by RCC. RCC is a Minnesota-based owner and operator of wireless communications systems and other telecommunications businesses serving primarily rural communities located throughout the United States, including Maine.¹ SAC, a Maine corporation, was formed by TLA for the purpose of accomplishing the merger described in the Agreement and Plan of Merger dated as of June 20, 2000 by and among RCC, SRTT and certain stockholders of SRTT (the "Agreement"). A redacted version of this Agreement was filed with the Commission on June 22, 2000 by SRTT together with its request, which initiated this Docket, that the Commission grant the necessary approvals required under Title 35-A M.R.S.A. § 708 for the transaction described in the Agreement to proceed.

As described in the Agreement, at the closing of the transaction SAC will be merged into SRTT, with SRTT being the surviving entity in the merger. Immediately following the closing of the merger, RCC intends to cause SRTT to transfer its telephone utility operating assets to SRTTI, a wholly-owned subsidiary of RCC. SRTTI will carry on the local exchange and interexchange service now being provided by SRTT. In the July 14 Petition, SRTTI requested authority to provide service in SRTT's current service territory. SRTTI and SAC also requested that the Commission issue to RCC a partial exemption from the operation of the Reorganization Statute, 35-A M.R.S.A. § 708.

¹ RCC owns MRCC, Inc., d/b/a Unicel, and Western Maine Cellular, Inc., which provide cellular service on the "wireline side" in eastern, northern, western and central Maine.

Attached as ***Exhibit A*** to this Stipulation is a diagram showing (a) the present corporate structure of SRTT (Sheet 1), (b) the merger and the accompanying asset transfer (Sheet 2), and (c) the corporate structure following the closing on the merger and asset transfer (Sheet 3). As indicated in the Agreement, at closing:

SAC will be merged into SRTT with SRTT being the surviving entity;

The present stockholders of SRTT will exchange their SRTT stock for cash; and

SRTT will issue new stock certificates to TLA.

In addition to the merger portion of the transaction, RCC intends to cause SRTT to transfer all of its local exchange and interexchange carrier operating assets (poles, wires, switches, accounts, etc.) to SRTTI. SRTTI will then be renamed “Saco River Telegraph and Telephone Company,” thus preserving the historic name of its predecessor entity and preventing customer confusion.¹

The above-described transaction, including both the merger and the asset transfer, is hereinafter referred to as the “Transaction.”

At closing on the Transaction, SRTTI will enter into a Support Services Agreement with RCC pursuant to which RCC will provide various services to SRTTI from time to time.

In addition, at closing SRTT’s existing long-term debt will be discharged. SRTTI will borrow funds from RCC pursuant to a note issued by SRTTI to RCC. In connection therewith, SRTTI will enter into a security agreement and a stock pledge agreement with RCC’s consortium of banks.

B. Stipulation.

The parties have met on several occasions to discuss the issues presented in this Docket and have engaged in informal discovery and various discussions. Based on this, the parties recommend that the Commission issue an order disposing of this case on the following basis:

1. Petitions to Intervene Granted.

The parties recommend that the Commission grant intervenor status to SAC, SRTTI, and the Office of the Public Advocate.

¹ In the interest of clarity, for the balance of this Stipulation the entity that will survive the merger will be referred to as SRTT (even though it will eventually be renamed “Saco River Telecommunications, Inc.” and will become the holding company for all of SRTT’s existing subsidiaries), and the entity that will hold the telephone utility assets following the asset transfer portion of the Transaction will be referred to as SRTTI, (even though it will eventually be renamed “Saco River Telegraph and Telephone Company”).

2. Reorganization Statute Issues.

Certain aspects of the Transaction require approval under the Reorganization Statute (35-A M.R.S.A. § 708):

Certain stockholders own in excess of ten percent of SRTT's outstanding stock and thus are affiliated interests as defined in Section 707 of Title 35-A (the "Affiliated Interest Statute"). The sale of each of their SRTT stock holdings will result in a "termination" of an affiliated interest under the Reorganization Statute, requiring Commission approval.

At the conclusion of the merger phase of the Transaction (a) TLA will become the sole owner of SRTT and (b) RCC will become the sole indirect owner of SRTT. Therefore, TLA and RCC will become affiliated interests of SRTT and its subsidiaries, thus resulting in the "creation" of an affiliated interest under the Reorganization Statute, requiring Commission approval.

At the conclusion of the merger phase of the Transaction, RCC and TLA also will become the indirect owners of all of the corporations now owned by SRTT, thus resulting in a "transfer of control" of those affiliated interests of SRTT. Under the Reorganization Statute, such transfers of control require Commission approval.

At the conclusion of the Transaction, at such time as SRTT has transferred its local exchange and interexchange carrier operating assets to SRTTI, SRTTI will become a public utility, giving rise to an affiliated interest relationship between RCC and its affiliates and SRTTI, thus resulting in the "creation" of affiliated interests under the Reorganization Statute, requiring Commission approval.

As to these reorganizations, the parties recommend that the Commission find that following the reorganizations:

- a. SRTTI will be able to attract capital on reasonable terms;
- b. SRTTI's ability to provide safe, reasonable and adequate service will not be impaired by the reorganizations,
- c. SRTTI will be subject to all applicable laws, principles and rules that govern public utilities;
- d. SRTTI's credit will not be impaired or adversely affected by the reorganizations;
- e. The Commission will retain the power to impose reasonable limitations on the total level of SRTTI's involvement in non-utility business; and

f. Neither ratepayers nor investors will be adversely affected.

In addition, the parties recommend that the Commission impose the following conditions in its approval of the reorganizations:

- a. That the Commission shall have reasonable access to the books and records:
 - (i) of any entity that SRTTI might come to own;
 - (ii) of SRTTI; and
 - (iii) of such affiliated interests of SRTTI as may engage in transactions with SRTTI that are subject to the Affiliated Interest Statute, to the extent that the books and records of such affiliate relate to such transactions.
- b. That the Commission shall have all reasonable power to detect, identify, review and approve or disapprove of all transactions between affiliated interests and SRTTI;
- c. That the Commission will retain the power to order divestiture of any affiliated interests that SRTTI might form or participate in, following the notice-and-opportunity-to-be-heard standards set forth in the Reorganization Statute; and
- d. That the Commission adopt the conditions set forth in §§ B(8), (9), (10) and (11) hereto.

In addition, the parties recommend that the Commission grant its approval of the following prior reorganizations of SRTT to the extent approval is required under 35-A M.R.S.A. §708:

The reorganization which occurred upon the transfer to Saco River Cellular Inc. (a subsidiary of Saco River Communications Corporation (SRCC) which is a subsidiary of SRTT) of the minority partnership interest of TDS Telecom ("TDS") in Saco River Cellular Telephone Company, a partnership between Saco River Cellular, Inc. and TDS in which Saco River Cellular, Inc. had held the controlling interest, and which was operating under the name StarCellular, thereby making the StarCellular business a sole proprietorship of Saco River Cellular, Inc. (The Commission had previously approved the formation of a subsidiary to engage in the cellular telephone business with TDS in Docket No. 84-111, Order dated July 19, 1984.)

The reorganization which occurred upon the creation of SRCL Holding Company, which was created by Saco River Cellular, Inc., for financing reasons, to separately hold the FCC Cellular License (B Side) for the Portsmouth MSA.

The reorganization which occurred upon SRCC's creation of, and acquisition of a 50% interest in, New Hampshire Wireless, LLC, which holds the PCS F Block License for the Manchester, NH, MTA.

The reorganizations which occurred upon the creation and acquisition of a 50% interest in IMA, Inc., a marketing company, by SRCC, and the subsequent transfer of SRCC's interest to the individual who owned the other 50% interest in IMA.

The reorganization which occurred upon SRCC's transfer of its 50% interest in Freedom Ring Communications, Inc. to the party owning the other 50% interest. (The Commission had previously approved the creation of Freedom Ring and SRCC's 50% ownership interest in Docket No. 96-343, Order dated July 29, 1996.)

Any other reorganization of SRTT, in addition to the above reorganizations, which may have occurred without a request for their approval by the Commission as required by 35-A M.R.S.A. §708.

3. Reorganization Statute Exemption.

In order to (i) eliminate the need for RCC or its affiliates unrelated to SRTTI to seek Commission approval under the Reorganization Statute for acquisitions and sales of properties and businesses unrelated to SRTTI and (ii) preserve the Commission's ability to review reorganizations that do affect SRTTI, the parties recommend that the Commission approve the following partial waiver of the Reorganization Statute:

An exemption from the approval requirements of the Reorganization Statute (35-A M.R.S.A. §708) shall be granted by the Commission and shall be in effect as follows:

a. Except as provided in Paragraph (b) below, the activities of SRTTI and all entities which presently are, or which in the future become, affiliated interests (as defined in 35-A M.R.S.A. § 707) of SRTTI shall be exempt from the requirements of 35-A M.R.S.A. § 708 (and similar successor statutes).

b. The following restructurings (as defined in Sections e and f below) shall remain subject to the Commission approval requirements of 35-A M.R.S.A. § 708(2):

- (1) a restructuring of SRTTI;
- (2) a restructuring of a subsidiary of SRTTI;
- (3) a restructuring resulting in the creation of an affiliated interest of SRTTI where it is intended that the affiliate will (i) enter into a contract or arrangement to furnish goods or services to be used by SRTTI, (ii) obtain goods or services from SRTTI, not including services to be obtained under generally applicable tariffs, or (iii) perform regulated activities formerly or simultaneously performed by SRTTI; or

- (4) a restructuring of RCC or of any other future affiliated interests of SRTTI that are in the ownership chain above SRTTI, which shall be subject to the special exemption provisions of subsection (f) hereof.

c. The exemption created by Paragraph (a) shall be subject to prospective termination or limitation in whole or in part upon Commission Order for violations of the terms or conditions of this waiver, to an extent reasonably related to the violation, after notice and hearing to the affected parties.

d. The limited exemption created by Paragraph (a) applies only to the requirement of 35-A M.R.S.A. §708(2) that the Commission approve reorganizations. The exemption does not apply to the approval requirements of the Affiliated Interest Statute; thus, SRTTI shall be required to obtain Commission approval to extend or receive credit or to make or receive a loan to or from an affiliated interest or to make any contract or arrangement for the furnishing of management, supervision or construction, engineering, accounting, legal, financial or similar services, or to furnish any service or real or personal property other than those enumerated in 35-A M.R.S.A. §707(3) with any affiliated interest; or to any other provision of Title 35-A. The Commission retains its powers under 35-A M.R.S.A. §707(2) to inspect books, accounts and records of SRTTI or of an affiliated interest that relate, directly or indirectly, to transactions between SRTTI and an affiliated interest.

e. For purposes of paragraphs B.3 (b) (1), (2) and (3), a "restructuring" means the creation, consolidation, merger, liquidation, transfer of ownership and control, dissolution or termination of the described entity, accomplished by the issue, sale, acquisition, lease, exchange, distribution or transfer of ten percent (10%) or more of the described entity's voting securities, in a single transaction or a related set of transactions, to one entity or to a group of entities that are affiliated with each other.

f. For the purposes of paragraph B.3 (b) (4), a "restructuring of RCC" occurs when an entity becomes, or ceases to be, an affiliated interest of RCC upon the consolidation, merger, liquidation, transfer of ownership and control, dissolution or termination of RCC, which is accomplished by the issue, sale, acquisition, lease, exchange, distribution or transfer of RCC voting securities which have more than twenty percent (20%) of the total voting power of all outstanding RCC voting securities, in a single transaction or a related set of transactions, to one entity or to a group of entities that are affiliated with each other (a "Restructuring Transaction"). This definition shall also apply to any future affiliated interests of SRTTI that are in the ownership chain above SRTTI described in paragraph B.3 (b) (4). The following provisions shall apply in the event that a Restructuring Transaction is contemplated, or occurs:

- (1) Filing for Approval of Restructuring Transactions. Where a Restructuring Transaction occurs without prior RCC knowledge, (for example, when a party purchases RCC securities on the open market that represent more than twenty percent (20%) of the total voting power of all

outstanding RCC voting securities), SRTTI shall promptly file for Commission approval in any event no later than 30 days from the date that RCC became aware of the occurrence of the Restructuring Transaction. Where RCC has prior knowledge of a potential Restructuring Transaction (for example, if RCC is negotiating a transaction in which a single entity will hold RCC stock representing more than twenty percent (20%) of the total voting power of all outstanding RCC voting securities), SRTTI shall file for approval as soon as RCC reasonably determines that the Restructuring Transaction will occur.

(2) Options if Commission Approval not Forthcoming. Should the Commission fail to approve the Restructuring Transaction, or should the Commission attach conditions to its approval that are unacceptable to RCC, then RCC, at its sole option, may pursue any of the following courses of action:

(a) in the event that the Restructuring Transaction has already closed, either (i) unwind the transaction within one hundred and eighty (180) days of the date of the date on which the Commission's Order becomes final and non-appealable or (ii) divest itself of SRTTI; provided that if it elects option (a) (ii), RCC must commence the divestiture process as soon as possible but in no event later than thirty (30) days from the date on which the Commission's Order becomes final and non-appealable, and must also file for approval under the Reorganization Statute within 6 months from the date the Commission's Order becomes final and non-appealable.

(b) in the event that the Restructuring Transaction has not closed, either (i) withdraw from the Transaction, or (ii) close on the Transaction, but divest itself of SRTTI, subject to the divestiture procedures described in subsection (a) (ii) above.

(c) take such other action that has the effect of remedying the unapproved transaction, consistent with the Commission's order disapproving the transaction.

g. In the event that any entity becomes an affiliated interest, as defined in the Affiliated Interest Statute, of RCC by reason of that entity's ownership of voting securities of RCC which have ten percent (10%) or more of the voting power of all outstanding RCC voting securities, whether by RCC's instigation or otherwise, SRTTI shall so advise the Commission in writing within thirty days of the date on which RCC became aware that the entity became an affiliated interest of RCC.

h. By contrast to a “restructuring”, the “reorganization” of a public utility includes the creation, consolidation, merger, liquidation, transfer of ownership and control, dissolution or termination, direct or indirect in whole or in part, of an affiliated interest as defined in 35-A M.R.S.A. § 707.

Attached as ***Exhibit B*** to this Stipulation is a series of examples intended to illustrate the scope of this partial exemption.

The parties believe that the above-described partial waiver of the Reorganization Statute reasonably accommodates the Commission’s regulatory responsibilities as well as RCC’s need for flexibility in entering into arrangements that have no effect on SRTTI.

4. Issuance of Stock.

As discussed above, at the conclusion of the Transaction, SRTT will cancel the SRTT stock certificates held by its existing shareholders and simultaneously issue new SRTT stock certificates to TLA. The parties recommend that the Commission (1) find that the issuance of the new stock certificates to TLA will be undertaken for a lawful purpose, and thus qualifies as a lawful stock issuance by a public utility under Title 35-A M.R.S.A. § 901, and (2) exercise its authority under § 902 of Title 35-A and approve the issuance by SRTT of its stock certificates to TLA as contemplated in the Agreement.

The parties believe that the Transaction could implicate § 910 of Title 35-A, which requires Commission consent for any “decrease” in a utility’s capital, or for a division among a utility’s stockholders “of the proceeds of the sale of its own or any stock” The parties recommend that the Commission give its consent under Section 910.

The parties agree that retroactive Commission approval for its stock issuance to RCC under § 902 or for its formation of SRTTI under the Reorganization Statute, is not required.

5. Utility Asset Disposition.

As discussed above, at the closing on this Transaction SRTT will transfer its telephone utility assets (poles, wires, switches, accounts, etc.) to SRTTI. The transfer of SRTT’s utility assets to SRTTI requires the Commission’s approval under 35-A M.R.S.A. § 1101, because the transfer will constitute an assignment, or disposition, of its assets “necessary or useful in the performance of its duties to the public.” The parties recommend that the Commission authorize this transfer.

6. Affiliated Interest Loan to SRTTI; Encumbrance of Assets.

As explained earlier, at the closing of the Transaction, the existing SRTT debt and mortgage will be discharged. SRTTI’s acquisition of SRTT’s assets will be financed through a

new loan from RCC as evidenced by various loan documents filed in this Docket by SAC and SRTTI on August 16, 2000. These documents include a Note to be issued by SRTTI at closing to RCC evidencing the loan, and both a Form of Subsidiary Guaranty and a Form of Subsidiary Security Agreement which SRTTI will issue to RCC's lenders at closing. Under the Subsidiary Guaranty, SRTTI will guarantee repayment of RCC's outstanding debt to its lenders, and under the Security Agreement, SRTTI will pledge the bulk of its assets as security for the guaranty.²

Because RCC, the party providing the loan to SRTTI, will be an affiliated interest of SRTTI, its loan to SRTTI will constitute a transaction falling within the ambit of the Affiliated Interest Statute. RCC originally proposed to charge SRTTI an interest rate equal to RCC's cost of borrowing under its loan, plus a 50-basis-point "add" to cover RCC's costs associated with obtaining and administering the loan. However, in arriving at this Stipulation, RCC has agreed not to include the 50-basis-point "add" to the cost of its debt; thus, under the Note, SRTTI will be charged the same interest rate as may be in effect from time to time under RCC's loan agreement. RCC will bill any costs attributable or apportionable to SRTTI that are incurred by RCC in obtaining and administering the loan through the Support Services Agreement (described in Section 7 below), rather than recovering them through the add. Based on this, the parties recommend that the Commission determine that the terms of the loan are not adverse to the public interest and give its approval to this affiliated interest transaction, thus permitting SRTTI to execute and deliver the Note (modified as discussed above to eliminate the 50-basis-point add), the Subsidiary Guaranty and the Security Agreement, all substantially in the forms provided in the August 16, 2000 filing.

The issuance by SRTTI of the security interest to RCC's lenders, as evidenced by the Subsidiary Security Agreement, will constitute an encumbrance on SRTTI's utility property requiring Commission approval under § 1101. The parties recommend that the Commission approve this encumbrance.

7. Support Services Agreement and Other Affiliated Interest Transactions.

On August 1, 2000, SAC and SRTTI filed a Support Services Agreement pursuant to which RCC will be in a position to provide a variety of services to SRTTI. After discussions with the Staff, SAC and SRTTI filed a revised Support Services Agreement including two changes prompted by these discussions. First, services provided to SRTTI will be billed based on the actual loaded rates of the individuals providing the services, rather than the "market rate" approach used in the Agreement as originally filed. Second, the description of the services to be provided by RCC was broadened in order to ensure that RCC would be able to provide the full scope of services required by SRTTI.

² The parties agree that the mere issuance of the stock pledge does not require Commission approval provided, however, that if the holder of the pledge exercises its rights under the pledge resulting in a change of control (as it would in this case), then the Commission's approval under the Reorganization Statute will be required before the party realizing upon the pledge may take full legal title to the stock of SRTTI. (See Pine Tree Telephone Company: Request for Approval of Affiliated Interest Transaction and for Authorization of Security Agreement, MPUC Docket 99-929, Order at 2 (January 11, 2000)).

As discussed in the previous Section, the parties have agreed that, rather than “mark up” SRTTI’s cost of borrowing by 50 basis points, RCC will be entitled to recover its actual costs of administering its loan from RCC to SRTTI, including procurement, processing and handling costs, through the Support Services Agreement. Accordingly, the parties agree that the Agreement as filed on August 23 will be amended, in Appendix “A,” to change the phrase “Financial planning and analysis” to “Financial planning, analysis, procurement and administration,” with the intention that this change will specifically permit RCC to recover the above-mentioned costs. The final version of the Support Services Agreement, including all changes discussed herein, is attached as **Exhibit C**.

Because the Support Services Agreement contemplates the provision of services from an affiliated interest to its utility affiliate, the agreement requires Commission approval under the Affiliated Interest Statute. The parties recommend that the Commission (1) determine that the terms of the Agreement are not adverse to the public interest, and (2) approve the Agreement, with the understanding that approval of this Stipulation does not constitute approval, for ratemaking purposes, of any amounts paid by SRTTI under the Agreement.

In addition, the parties recommend that the Commission approve the following additional affiliated interest transactions: (1) Any existing arrangements or contracts between SRTT and its affiliated interests which have been conducted in accordance with SRTT’s Cost Allocation Manual (“CAM”) on file with the Commission are approved. To SRTT’s knowledge any such arrangements and contracts which are subject to 35-A M.R.S.A. §707(3) have been conducted in accordance with SRTT’s Cost Allocation Manual. (2) The Standard Support Services Agreement (“Agreement”) attached hereto as **Exhibit D** and the SRTT Cost Allocation Manual on file with the Commission are approved for use in the provision of the services specified in the Agreement by SRTTI to any of its affiliated interests, subject to the following conditions: While the Agreement and the CAM are approved for use by SRTTI and its affiliates, the Commission does not, by approving this Stipulation, approve for ratemaking purposes the prices received by SRTTI. Also, in accordance with Chapter 210 of the Commission’s Rules, SRTTI must maintain sufficient accounting records to identify the nature, pricing and total dollar value of all transactions with its affiliates. SRTTI shall be required to file a copy of each executed Agreement with the Commission within 30 days of the signing of such Agreement.

8. Authority to Serve under Section 2102.

After the closing of the Transaction, SRTTI will own the public utility assets presently owned by SRTT and will provide telephone service in the service territory currently served by SRTT. Because SRTTI proposes to provide telephone service in the municipalities in which SRTT is presently authorized to serve, it must obtain Commission approval under § 2102 of Title 35-A prior to commencing service. Subject to the Commission’s adoption of the terms set forth below, the parties recommend that the Commission (1) find that SRTTI is ready, willing and able

to provide telephone service in SRTT's current service territory, and (2) grant SRTTI the authority to provide telephone service in the same service territory currently served by SRTT.

SRTTI hereby advises the Commission that it intends to adopt SRTT's tariff upon commencement of service immediately following closing on the Transaction. Thus, the SRTT tariff on file as of the date of closing will be in effect for service rendered to SRTTI's customers on and after the closing date.

In addition, SRTTI hereby agrees that, except as modified by the Section 9 below, it will be governed by the terms of the Commission's Order entered on January 25, 2000 in Docket 98-902 adopting a Stipulation regarding future changes in SRTT's rates. Specifically, SRTTI agrees that it will implement the May 30, 2001 reduction of intrastate access rates as required by that Order.

9. Extension of Stay-Out.

SRTTI agrees that the period during which it will forego filing a request for any general rate increase will be extended from the March 1, 2002 date set forth in the current Stipulation for a period of one year (to March 1, 2003), subject to all of the terms and conditions set forth in the Order and the accompanying Stipulation in that Docket, and subject to the Commission's agreement that its authority to forego initiating a new rate proceeding shall likewise be extended for one additional year (to March 1, 2003).

In any such rate proceeding, any party will be afforded the opportunity to challenge the reasonableness of any costs incurred, or proposed for inclusion in rates, by SRTTI. Moreover, as set forth in subsection 3(D) of the Affiliated Interest Statute, the Commission's approval of any of the affiliated interest transactions presented in this Docket will not limit the powers of the Commission to determine the reasonableness of any rate, fare, toll, charge, classification, schedule or joint rate in effect or proposed by SRTTI.

10. Waiver of Acquisition Adjustment.

SRTTI agrees that in any future rate proceeding, it will not seek an acquisition adjustment. The parties agree that SRTTI's willingness to forego the opportunity to seek an acquisition adjustment arising from this transaction will be binding on any future purchaser of (a) SRTTI, or of (b) the assets of SRTTI; provided that the scope of this waiver shall not extend to cover possible recovery of an acquisition adjustment arising from a future transaction.

11. Construction Commitment; Continuity of Work Force.

SRTTI agrees that for calendar years 2001 and 2002, it will fund a capital budget of no less than \$1,000,000 for each year for the purpose of maintaining service quality and/or providing advanced services; provided, however, that should SRTTI reasonably determine that it

can continue to maintain high quality service at a lesser level of expenditure, it will file for a waiver from this requirement. The parties recommend that the Commission delegate the power to issue such a waiver to the Director of Finance for capital budgets in excess of \$750,000.

In addition, SRTTI agrees that it will use reasonable efforts to secure the services of the employees presently working for SRTT so to ensure continuity of service, operations and maintenance.

12. Discontinuation of Service.

At the time that SRTTI begins to provide service in SRTT's service territory, SRTT will be discontinuing its service in the same territory. The parties recommend that the Commission exercise its authority under 35-A M.R.S.A. § 1104 and grant SRTT approval to discontinue its service.

13. Authority to Encumber CDI Property.

As shown on the Sheets comprising *Exhibit A*, SRTT indirectly owns Communications Design, Inc. ("CDI"). CDI owns and operates a microwave network the capacity of which is leased to communications companies. CDI is also authorized to provide competitive facilities-based local exchange and facilities-based interexchange service in the State of Maine. See Communications Design, Inc., Petition for Finding of Public Convenience and Necessity to Provide Service as a Local Exchange and as a Facilities-Based Interexchange Telephone Utility, MPUC Docket 98-398, Order dated March 17, 1999.

Although technically a public utility, CDI's rates and services are subject to competitive market forces, as the Commission observed in the above-cited Order (at pp. 3 and 4). For that reason, the Commission exempted CDI, inter alia, from the operation of Sections 707 and 708 of Title 35-A (governing affiliated interest transactions and reorganizations).³

CDI may also be obtaining financing from RCC or one of its affiliates, and in connection therewith may be encumbering all or a portion of its property as security for this financing. Although it is unclear whether any of the property owned by CDI and subject to this encumbrance actually constitutes property that is "used or useful in the performance of [CDI's] duties to the public," within the meaning of Section 1101 of Title 35-A, the parties recommend that the Commission grant CDI blanket authority in advance to encumber its assets to secure financing. Should CDI become an Eligible Telecommunications Carrier under Section 214(e)(6) of the Communications Act, this authority shall expire, and CDI must seek the Commission's approval for similar authority in the future.

³ Since the Commission granted CDI these exemptions, Interveners SAC and SRTTI did not request approval for the reorganization of CDI that will occur as a result of the Transaction, nor did they request approval for any affiliated interest arrangements that CDI may be entering into as a result of the Transaction or otherwise.

C. Standard Stipulation Provisions.

1. Purpose; Rejection of Portion Constitutes Rejection of Whole. The parties are entering into this Stipulation for the purpose of finally disposing of all issues raised in this Docket. If the Commission does not accept the entire Stipulation without material modification, then the Stipulation shall be null and void, and will not bind the parties in this proceeding.

2. No Precedent. The making of this Stipulation by the parties shall not constitute precedent as to any matter of fact or law, nor, except as expressly provided otherwise herein, shall it foreclose any party from making any contention or exercising any right, including the right of appeal, in any other Commission proceeding or investigation, or in any other trial or action.

3. Examiner's Report. The parties agree to waive the provisions of § 752 (b) of the Commission's Rules of Practice and Procedure, requiring that any Examiner's Report be in writing and that the parties be afforded an opportunity to file exceptions or comments thereon. The parties thereby intend to permit the Advisors either to provide an oral Examiner's Report to the Commission at the deliberative session to be held in this Docket, or, if the Advisors so wish, to provide a written Examiner's Report to the Commission with the parties waiving the right to file exceptions or comments thereto.

IN WITNESS WHEREOF, the parties have caused this Stipulation to be executed and delivered, or have caused their lack of objection to be noted, by their respective attorneys.

**SACO RIVER TELEGRAPH AND
TELEPHONE COMPANY**

Dated:_____

By:_____
[Name and Title]

SRTT ACQUISITION CORP.

Dated:_____

By:_____
[Name and Title]

SRTT, INC.

Dated:_____

By:_____
[Name and Title]

OFFICE OF THE PUBLIC ADVOCATE

Dated:_____

By:_____
[Name and Title]

**STIPULATION EXHIBIT A
DOCKET 2000-541**

Corporate Structure Charts Attached

STIPULATION EXHIBIT B
DOCKET 2000-541

**ILLUSTRATIONS OF THE OPERATION OF THE PARTIAL EXEMPTION
FROM THE REQUIREMENT OF OBTAINING SECTION 708 APPROVAL FOR
TRANSACTIONS INVOLVING SRTTI**

The following examples are intended to illustrate the scope of the partial exemption from Section 708 included in Section B(3) of the Stipulation resolving all issues in Docket 2000-541.

1. SRTTI (a) creates a wholly-owned subsidiary, or acquires ten percent (10%) or more of the voting securities of another entity, and/or (b) sells all or a part of its interest in such an entity, and/or (c) such an entity consolidates, merges, liquidates, dissolves or terminates or extends. The exemption does not apply.

2. RCC, SRTTI's parent company, creates a subsidiary which will purchase real estate to be leased to SRTTI. The exemption does not apply.

3. RCC creates a subsidiary that will manufacture and sell switches to SRTTI. The exemption does not apply.

4. RCC consolidates, merges, liquidates, transfers ownership and control, dissolves or terminates SRTTI, accomplished by the issue, sale, acquisition, lease, exchange, distribution or transfer of SRTTI's voting securities, either in a single transaction or a related set of transactions, to one entity or to a group of entities that are affiliated with each other. The exemption does not apply.

5. RCC, a current or newly formed RCC subsidiary, or another entity that is an affiliate of SRTTI proposes to loan money, lease land, or provide services to SRTTI in a transaction not previously approved by the Commission. The exemption does not apply to transactions that are subject to the Affiliated Interest Statute.

6. RCC proposes to create a subsidiary or other entity that will hold ten percent (10%) or more of the voting securities of SRTTI. The exemption does not apply.

7. RCC proposes to purchase or form a company that will purchase network elements from SRTTI and provide local exchange service in SRTTI's service territory. The purchase of the network elements is an affiliated interest transaction requiring Commission approval, and the exemption does not apply to the formation of the new company.

8. RCC forms a new entity to acquire a cellular company in California. The exemption applies.

9. RCC issues voting securities. As a result of this issuance, an entity holds RCC voting securities having twenty percent (20%) or less of the total outstanding post-issuance voting power of RCC. The exemption applies, provided that RCC must notify the Commission in writing within thirty days of the close of the issuance.

10. RCC proposes to issue voting securities as a result of which an entity will have more than twenty percent (20%) of the voting power of the total outstanding post-transaction voting securities of RCC. Upon execution of a definitive agreement contemplating the issuance of the stock, RCC determines that the transaction will occur and SRTTI files for Commission approval. The Commission does not approve.

If the transaction has not as yet closed, then RCC has the option of either withdrawing from the transaction, or proceeding with the transaction and divesting SRTTI. If it chooses the latter, it must commence the divestiture process within thirty (30) days of the date on which the Commission's order becomes final and non-appealable, and must file for reorganization approval (identifying the prospective buyer of SRTTI) within six months of the same date.

If the transaction has already closed, then RCC has the option of either unwinding the transaction or divesting itself of SRTTI.

11. A party acquires RCC voting securities representing twenty-one percent (21%) of the voting power of the then-outstanding voting securities of RCC through purchases of RCC stock on the open market. Upon RCC's becoming aware that the party owns securities representing over twenty percent of RCC's voting power, SRTTI promptly files for approval of the Restructuring Transaction. If the Commission does not approve the restructuring, RCC, at its sole option, must either unwind the stock purchase or divest itself of SRTTI.

12. Except for a subsidiary or entity as provided in examples 2, 3, 5, and 6 above, RCC (a) creates a wholly-owned subsidiary, or acquires ten percent (10%) or more of the voting securities or assets of another entity, and/or (b) sells the assets or all or a part of its interest in such an entity, and/or (c) such an entity consolidates, merges, liquidates, dissolves or terminates or extends. The exemption applies.

13. Some or all of the assets of RCC or an RCC subsidiary other than SRTTI are transferred without transferring any voting or non-voting securities of SRTTI. The exemption applies.

14. RCC transfers or causes the transfer of all or some of the stock or assets of one or more of its subsidiaries in a restructuring of its subsidiaries, but does not transfer the stock or assets of SRTTI. The exemption applies, unless the entity is in the ownership chain between SRTTI and RCC.

STIPULATION EXHIBIT C
DOCKET 2000-541

SUPPORT SERVICES AGREEMENT
BETWEEN
RURAL CELLULAR CORPORATION
AND
SACO RIVER TELEGRAPH AND TELEPHONE COMPANY

This Support Services Agreement (the "Agreement") is made as of _____ 2000, by and between RURAL CELLULAR CORPORATION, a Minnesota corporation ("RCC"), and SACO RIVER TELEGRAPH AND TELEPHONE COMPANY, a Maine corporation, formerly known as SRTT, Inc. ("Saco River").

WHEREAS, RCC is willing to provide support services to Saco River; and

WHEREAS, Saco River requires support services and desires to use and purchase such services from RCC.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, RCC and Saco River hereby agree as follows:

ARTICLE I - GENERAL SCOPE OF SERVICES

1. As used in this Agreement, the term "Services" means one or more of the services generally described in Appendix A attached hereto and made a part hereof, subject to the applicable provisions of this Agreement; provided, however, that RCC and Saco River shall not be responsible for policy or management decisions of the other, such functions being reserved exclusively for each party to this Agreement, respectively.
2. Upon its receipt of a request for Services, RCC shall, if it has or can have available the personnel and resources needed to provide the Services requested, furnish the Services to Saco River upon the terms and conditions set forth herein, at such times, for such periods and in such manner as may be requested; provided, however, that the determination whether personnel and resources are available to perform the Services in accordance with the request shall be within the sole discretion of RCC, which may, at its option, elect not to perform any requested Services. RCC shall primarily provide Services using personnel from within its own organization or its subsidiaries. In addition, RCC may use persons from outside its organization, with the other party's approval, such approval not to be unreasonably withheld.

ARTICLE II - PAYMENT FOR SERVICES

1. Saco River shall compensate RCC for Services performed by RCC in accordance with the procedures described in Appendix B, which is incorporated and made a part hereof.
2. RCC shall submit itemized invoices for Services rendered, including, when requested or required by Saco River, all sales, use, excise, or similar taxes that may be applicable to such Services, as soon as practicable after the close of each month. All invoices submitted by RCC shall have adequate documentation to justify all costs. Saco River shall pay each such invoice within thirty (30) days of the date of the invoice, to the extent the costs are not disputed. Such disputes must be raised within ninety (90) days after the date of the invoice with the disputed cost. Simple interest at the prime rate then in effect at BankBoston, plus two percent (2%), shall accrue on any undisputed invoice items not paid within thirty (30) days of the date of the invoice, interest computed from the thirty-first (31st) day following the invoice date.
3. Upon the written request of Saco River, RCC shall permit Saco River reasonable access to its books and records for the purpose of auditing charges billed by RCC.

ARTICLE III - TERM OF CONTRACT

The term of this Agreement shall commence on the date first written above and continue until terminated by either party by at least sixty (60) days prior written notice to the other.

ARTICLE IV - AMENDMENT

This Agreement may be amended by the parties hereto, provided that no waiver, alteration, amendment, consent or modification of any of the provisions of this Agreement shall be binding unless in writing and signed by a duly authorized representative of both parties.

ARTICLE V - ASSIGNMENT

Neither RCC nor Saco River may assign any of its rights or obligations hereunder except with the prior written consent of the other.

ARTICLE VI - FORCE MAJEURE

Neither RCC nor Saco River shall be liable to the other for any loss or damages of any kind resulting from any delay in the performance of, or failure to perform, its obligations under this Agreement, in whole or in part, insofar as such delay or failure is caused by a Force Majeure, provided that the party invoking Force Majeure provides written notice to the other party of the circumstances giving rise to such delay or failure to perform within a reasonable time after learning of such circumstances. As used herein, "Force Majeure" means an event beyond the

reasonable control of and without the fault or negligence of the party claiming Force Majeure that delays, hinders or prevents the performance of that party's obligations under this Agreement.

ARTICLE VII - INSURANCE AND INDEMNIFICATION

1. RCC may, with respect to the Services performed under this Agreement, self insure or obtain insurance and shall maintain the following coverages, naming the other party to this Agreement as an additional insured, as applicable:
 - a) Workers' compensation insurance that complies with the provisions of applicable law.
 - b) Employer's liability insurance with limits not less than \$100,000 each occurrence;
 - c) General liability insurance with limits not less than \$1,000,000 combined bodily injury and property damage liability; and
 - d) Automobile liability insurance with limits not less than \$1,000,000 combined bodily injury and property damage.
2. Except to the extent caused by the willful misconduct or negligence of the party seeking indemnification, each party shall defend (at the other's option), indemnify and hold harmless the other, its directors, officers, employees, contractors, agents, successors and assigns from and against any actions, penalties, claims, costs (including but not limited to reasonable attorneys' fees), or damages of any nature arising out of or related to the Services performed pursuant to this Agreement.

ARTICLE VIII - GENERAL LIMITATIONS OF LIABILITY AND WAIVER

1. RCC shall provide well-qualified and experienced staff to perform the Services. Names and backgrounds of said personnel shall be provided to Saco River on request.
2. Services provided by RCC hereunder shall be performed in a prudent, professional and workmanlike manner. If any Services provided by RCC fail to conform to this standard, Saco River may, at its option, require RCC to correct or re-perform such Services.
3. Except for (i) the obligation in the preceding paragraph 2 of this Article to correct or re-perform Services and (ii) the indemnification obligation set forth in Article VII hereof, RCC shall not be liable for any reason to Saco River for claims for direct, incidental, indirect, consequential or other damages of any nature relating to or resulting from the performance or non-performance of this Agreement by RCC.
4. Except for (i) the obligation to pay for Services pursuant to Article II hereof and (ii) the indemnification obligation set forth in Article VII hereof, Saco River shall not be liable to

RCC for claims for direct, incidental, indirect, consequential or other damages of any nature relating to or resulting from performance or non-performance of this Agreement by Saco River.

5. EXCEPT AS MAY BE PROVIDED IN PARAGRAPHS I AND 2 OF THIS ARTICLE, NO WARRANTIES OF ANY KIND, WHETHER STATUTORY, WRITTEN, ORAL OR IMPLIED, INCLUDING WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, SHALL APPLY TO SERVICES PERFORMED HEREUNDER.

ARTICLE IX - NOTICE

1. All communications and notices by Saco River to RCC under this Agreement shall be sent to and addressed as follows:

Rural Cellular Corporation
3905 Dakota St. SW
Alexandria, MN 56308
Attn: _____

2. All communications and notices by RCC to Saco River under this Agreement shall be sent to and addressed as follows:

Saco River Telegraph and Telephone Company

Attn: _____

3. Either party may change the address set forth by written notice to the other.

ARTICLE X - APPLICABLE LAW

1. This Agreement shall be governed by and construed in accordance with the laws of the State of Maine.
2. This Agreement shall be subject to approval by any regulatory body whose approval is a legal prerequisite to its execution, delivery or performance.
3. This Agreement constitutes the entire Agreement between the parties for the Services to be provided hereunder, and supersedes all prior representations and agreements, whether written or oral, between the parties as to such Services.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in duplicate by their duly authorized representatives, to become effective as of the date first written above.

Witness

RURAL CELLULAR CORPORATION

By:_____

Printed Name:

Its:

SACO RIVER TELEGRAPH AND
TELEPHONE COMPANY

By:_____

Printed Name:

Its:

APPENDIX A

GENERAL DESCRIPTION OF SUPPORT SERVICES

The services available from RCC under this Agreement shall include all services which RCC is capable of performing and which Saco River requests it to perform, including the following:

Management of day-to-day operations

Business development

Financial planning, analysis, procurement and administration

Community relations and outreach

Public and media communications

Governmental and legislative affairs services

Accounting and reporting services

MIS/LAN technical support

Legal and regulatory affairs

Human resources and benefits administration

Contract negotiation

Risk management

APPENDIX B

DESCRIPTION OF DEVELOPMENT OF BILLING RATES

1. Services performed by RCC employees pursuant to this Agreement shall be billed at an hourly rate.

2. The hourly rate shall be developed by dividing the employee's annual salary by the number of working hours in a year, including vacation time. To that amount will be added a loading rate reflecting RCC's employee-related costs, such as health and retirement benefits, payroll taxes, etc. The loading rate will include a 10% adder for RCC's administrative and general overhead costs.

3. Services provided under this Agreement by non-RCC-employees shall be billed at the actual cost incurred by RCC for such services plus a 5% adder to cover RCC's cost of administering the arrangement.

STIPULATION EXHIBIT D
DOCKET 2000-541

STANDARD SUPPORT SERVICES AGREEMENT
BETWEEN
SACO RIVER TELEGRAPH AND TELEPHONE COMPANY
AND
(Affiliated Interest)

THIS AGREEMENT, made as of the dates signed below, by and between Saco River Telegraph and Telephone Company, a public utility incorporated under the laws of the State of Maine ("Telephone Company"), and _____, an Affiliated Interest of Telephone Company, which has executed this Agreement ("Affiliate").

WHEREAS, Telephone Company, an incumbent local exchange carrier, is engaged in the business of providing telephone service, subject to the regulation of the Maine Public Utilities Commission, and Affiliate is engaged in the businesses of _____.

WHEREAS, Telephone Company may possess assets, resources, personnel and abilities which may be required or useful in order for Affiliate to carry out its businesses.

WHEREAS, Telephone Company wishes to have the ability to provide services to Affiliate.

WHEREAS, Telephone Company and Affiliate wish to set forth the terms and conditions for the provision of services between them.

NOW, THEREFORE, in consideration of the mutual covenants and undertakings herein contained, Telephone Company and Affiliate agree as follows:

1. Services by Telephone Company. Telephone Company may provide, as needed, Support Services to Affiliate, subject to the availability of Telephone Company personnel and resources and subject to the applicable provisions of this Agreement; provided, however, that the provision of such services shall not cause Telephone Company to be responsible for policy or management decisions of Affiliate, such functions being reserved exclusively for Affiliate.

2. Support Services. Support Services provided under this Agreement may include accounting, billing and collections, budgeting, communications, engineering, financial planning and analysis, general services, employee assistance, environmental, human resources, industrial relations, information systems, internal audit, legal, public relations, purchasing, rates, real estate, regulatory services, marketing, receipt and

processing of telephone inquiries and applications, and other services requested by Affiliate. Support Services may also include the provision, leasing or transfer of space, buildings and real estate and the provision, leasing or transfer of equipment and facilities.

3. Performance. Telephone Company shall perform the Support Services herein specified, as well as any other support services incidental to the foregoing, in a faithful, diligent and able manner, and render such reports to the Board of Directors of Affiliate from time to time as such shall be called for by the Board. The Telephone Company shall not be liable for any loss or injury resulting directly or indirectly from Support Services rendered under this Agreement, except for any such loss or injury resulting from the gross negligence or willful misconduct of the Telephone Company. In performing its duties hereunder, the Telephone Company shall comply with all applicable laws and regulatory requirements now or hereafter in force.

4. Payments. On or before the 14th day after the close of each month, the Telephone Company shall bill Affiliate and receive reimbursement or payment from Affiliate for the Support Services on the following basis:

The Telephone Company shall be entitled to be reimbursed for any costs incurred in connection with the rendering of the Support Services, as follows: (a) For Support Services which the Telephone Company provides to unaffiliated third parties, the Telephone Company shall bill the market rate or the applicable tariff if the Support Service is a regulated service. (b) For other Support Services, the Telephone Company shall bill all of the costs it incurred in providing the Services, plus up to 10%. Costs shall be determined and allocated in a manner consistent with Telephone Company's Cost Allocation Manual, which is on file with the Maine Public Utilities Commission. Payments are to be paid to the Telephone Company on a monthly basis.

5. Independent Contractor. The Telephone Company is, and at all times shall be, an independent contractor and not a co-venturer, employee, representative or agent of the Affiliate. The Telephone Company shall be liable for, and shall pay, all employment, income and other taxes associated with the rendering of Support Services hereunder, which costs shall be included in the cost of the service billed to the Affiliate.

6. Indemnity. The Affiliate hereby agrees to indemnify and hold harmless the Telephone Company against any and all losses, claims, damages or liability, including costs of defense and reasonable attorneys' fees, that arise as a result of the rendering of Support Services hereunder and shall reimburse the Telephone Company for any legal or other expenses reasonably incurred in connection with investigating or defending against any such loss, damage, liability or action, except for any such loss, claim, damage or liability resulting from the gross negligence or willful misconduct of the Telephone Company. The Telephone Company hereby agrees, as promptly as possible after receipt of written notice of the commencement of any action against it

with respect to the Support Services, to notify the Affiliate in writing of the commencement of such action.

7. Amendment. No amendment, modification or waiver of this Agreement or any provision hereof shall be effective unless such amendment, modification or waiver shall be in writing and approved by both parties.

8. Assignment. Neither party shall have the right to assign this Agreement without the consent in writing of the other party.

9. Successors. This Agreement shall be binding upon the parties hereto, their legal representatives, successors and assigns.

10. Governing Law. It is understood and agreed that the construction and interpretation of this Agreement shall at all times and in all respects be governed by the laws of the State of Maine, without considering its laws or rules related to choice of law.

11. Severability. The provisions of this Agreement shall be deemed severable, and the invalidity or unenforceability of any one or more of the provisions hereof shall not affect the validity and enforceability of the other provisions hereof.

12. Term. This Agreement shall be effective on the dates written below, and shall remain in force for a term of five (5) years. Thereafter, the Agreement shall be automatically renewed on the same terms and conditions for successive one-year terms, provided that either Party may terminate this Agreement upon prior written notice to the other party.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth below.

Saco River Telegraph and Telephone Company

By: _____
Name: _____
Title: _____

Date

(Affiliated Interest)

By: _____
Name: _____
Title: _____

Date